

Audit Committee minutes

Monday 9 March 2015

Members

Ian Watmore (chair)
Ailsa Beaton
Roger Barlow

Non-Executive Director
Non-Executive Director
Independent Audit Committee
member

Attendees:

ICO

Simon Entwisle
Christopher Graham
Heather Dove

Deputy Chief Executive Officer
Information Commissioner
Head of Finance

Internal Auditors

Phil Keown
Paul Eckersley

Grant Thornton
Grant Thornton

External Auditors

David Eagles

BDO

Secretariat

Peter Bloomfield

Senior Corporate Governance Manager

1. Introductions and apologies

- 1.1. There were apologies from James Edmands of the NAO and from Alison Langridge of BDO who were both unable to attend.

2. Declaration of interests

- 2.1. There were no declarations of interest.

3. Action points from the Audit Committee meeting of the 8 December 2014

- 3.1. The minutes were presented for information. They had been cleared by correspondence and there were no specific matters arising from them.
- 3.2. The Committee was pleased to see that all of the action points had been cleared. Members expressed the view that they would expect this to be the case for all meetings unless there was good reason for a delay.

4. Commissioner's update

- 4.1. Christopher Graham provided an update on matters affecting the ICO, linking this discussion with the risk register which was also presented. Matters raised included:
 - 4.1.1. The office was awaiting the final Triennial Review report, due shortly. Once received the report would be considered in detail.
 - 4.1.2. Section 56 of the Data Protection Act had now been commenced. The section outlawed enforced subject access, which is when organisations force people to make subject access requests for information the organisation wants. This commencement followed an almost twenty year campaign.
 - 4.1.3. The Government had also announced the removal of the PECR enforcement threshold from April. The threshold had been making it very difficult for the ICO to take enforcement action for PECR breaches.
 - 4.1.4. The ICO's annual Data Protection Practitioners' Conference had been held in Manchester on 2 March and had been very successful.
 - 4.1.5. The Intelligence and Security Select Committee was due to publish a report on surveillance on Thursday.
 - 4.1.6. The office was expecting the Supreme Court Judgment in the Prince of Wales letters case. The issue was whether or not Ministers had a right of veto under the Environmental Information Regulations. The ICO would be considering the different scenarios which might arise from the case.
- 4.2. Of prime concern was the current industrial relations dispute with PCS over the July 2014 pay award. There had been five days of strikes, and a work to rule and overtime ban were in place. It was clarified that the dispute was being supported by the national PCS. Half of the ICO staff had

accepted the pay deal and will receive pay arrears due in their March salary. The Committee noted that the internal audit plan had a particular focus on staff engagement which might be helpful.

Action point 1: Christopher Graham to provide a copy of his recent blog on pay to the Committee.

- 4.3. The risk register was discussed, in particular the IT risk. It was suggested that the Executive Team might consider whether or not to split the current IT risk. The Committee felt that there were two elements; the internal systems and public facing services.

Action point 2: Simon Entwisle to consider further the IT risk and to update it if thought appropriate before the April Management Board meeting.

5. Finance

- 5.1. Simon Entwisle and Heather Dove introduced the various finance issues coming to the Committee.

January finance report

- 5.2. An end of year underspend, although a risk, was thought unlikely. Whilst data protection fee income continued to increase above expectations, expenditure on various IT projects in the run up to year end, and on accommodation work aimed at reducing future dilapidations on the Wilmslow property, mitigated the risk.
- 5.3. The Committee suggested that the ICO needed to think more strategically about the continuing rise in registration fees. There were two issues; that of ensuring that the legal requirement for data controllers to register was enforced and that the fee be set according to the number registering and the cost to the ICO of undertaking its data protection work.
- 5.4. It was already the case that the ICO targeted high risk organisations in respect of registering, for example in checking organisations complained about. The new EU regulation was also expected to remove the duty to register at some stage in the future.

Action point 3: Simon Entwisle to consider the ICO strategy in respect of registration fees and to report back to the next Committee meeting.

- 5.5. The finance report for February was made available to the meeting. It had been finalised after the papers had been circulated. The basic message was the same as for the January report.

The new finance system

- 5.6. Heather Dove advised that the new finance system had successfully gone live on 1 February. Data had been migrated over from the old system and it was the intention to use the new system to prepare the annual accounts.
- 5.7. Audit Committee thanked Heather Dove and the Finance Team for their hard work and the achievement of bringing in the new system ahead of schedule.
- 5.8. There was more work to do, and the biggest change for budget holders would be noticed in April with new reporting capabilities and month end procedures.
- 5.9. A new purchase management system would be brought in over the summer.

Civil monetary penalties

- 5.10. The ICO advised that the Data Protection Act would need to be amended to allow the ICO to retain an element of civil monetary penalties (CMPs) collected to pay for the work involved in chasing unpaid CMPs. The NAO had provided examples of organisations which already did this but they were not constrained by the same legislation as the ICO. The office was ready to push this forward if and when a legislative opportunity arose.
- 5.11. The recently announced changes to the PECR (coming into effect in April) and the likelihood that this would lead to more penalties being issued, was recognised. Guidance was being updated and Enforcement was ready for the change.

6. Integrated assurance

- 6.1. Simon Entwisle updated the Committee on the Integrated Assurance project. Leadership Group had considered the results of the most recent exercise in January. It was thought that the project had been successful in highlighting areas of both good and bad practice and in coming up with actions aimed at improving performance in the areas targeted. The next self-assessment would be in the summer and would target HR related measures.
- 6.2. The Committee asked whether or not the project was meeting expectations. One of the original drivers for the work had been to reduce the cost of internal audit with the ICO being clearer about its own internal controls; however the project was targeting different areas each time.

- 6.3. Simon Entwisle considered that the project was currently proving very useful, but its value would be constantly reviewed.

7. Planning and budgeting for 2015/16

- 7.1. The draft ICO Plan 2015-2018 and the budget for 2015/16 were presented for information. In respect of the ICO Plan, it had been consulted upon but there were no significant changes made to the Plan as a result of this. The Commissioner had provided an introduction and a more up to date version of the ICO Plan would come to Executive Team in a week's time for clearance. It would then be published.
- 7.2. The budget had been sent to the Ministry of Justice (MOJ). Confirmation of grant in aid was still awaited. The budget assumed grant in aid as this year, but given the pressure on MOJ budgets there might be a reduction asked for.

8. Outstanding audit recommendations

- 8.1. The Committee noted that there were no outstanding internal audit recommendations and commended the ICO for clearing recommendations quickly.
- 8.2. There was one outstanding external audit recommendation that had a clearance date beyond year end. BDO was asked whether this would result in an adverse opinion from the NAO.
- 8.3. The delay in clearing the recommendation was due to clearance being linked to the introduction of phase 2 of the finance system. BDO did not consider that the fact that the recommendation had not been actioned by year end would impact on the NAO's opinion as there was good reason for the delay.

9. Internal audit

Audit update report

- 9.1. Grant Thornton reported that they had completed the majority of the audit plan for 2014/15 having spent a total of 39.5 days to date. The audits had gone well and Grant Thornton would complete the audit plan on schedule.

Internal audit review – Corporate and financial planning

- 9.2. Grant Thornton had looked at the ICO's corporate and financial planning processes and was comfortable with the way the ICO undertook its planning. There was one medium recommendation relating to the objectives in the ICO Plan being SMART. Other recommendations were low or for improvement.
- 9.3. In respect of the SMART recommendation the Committee questioned what steps were being taken to ensure the ICO Plan objectives were SMART. Peter Bloomfield advised that whilst not all of the ICO's objectives could be SMART much had been done over the last few years to ensure that more objectives were measurable. Senior managers had been reminded of the need for SMART objectives, and the drafting process had been used to clarify measures and their timescales where appropriate.

Internal audit plan 2015/16

- 9.4. The internal audit plan for 2015/16 had been discussed with senior managers at the ICO and had been considered by Executive Team. There was a focus on staff engagement, and consideration of (amongst other things) new finance system benefits realisation, IT service delivery, external liaison and policy issues (to be renamed "external engagement and communications") and core operations.
- 9.5. It was noted that the reviews totalled 86 days. The intention was to prioritise, although it was also suggested (and accepted) that working up the plan over two years was a sensible option.

Action point 4: Simon Entwisle with Grant Thornton to re-constitute the internal audit plan over two years and to seek agreement of the Audit Committee members to the new plan by email.

- 9.6. The balance of senior staff days proposed in the audit plan was queried. It was confirmed that the ICO had asked for greater senior management involvement where appropriate. However Grant Thornton would review the balance.

10. External audit

- 10.1. BDO introduced the Audit Progress Report on the 2014-15 financial statement audit. Key findings from work to date were highlighted on page 3. These were:
- 10.1.1. variances in payroll above tolerances;

- 10.1.2. difficulty in placing reliance on sample checks the ICO has already done on regularity of fee payments; and
- 10.1.3. The off setting of conference income against expenditure. It ought to be classified as income.
- 10.2. The additional payroll checking work and work arising from moving to a new finance system necessitated the increase in fee detailed in the report. It was agreed that this was a one off increase and was not rolled forward into the base audit fee.

11. ICO annual report and accounts

- 11.1. Peter Bloomfield introduced this item. The timetable had been compressed by two weeks to bring forward the laying of the Annual Report and Accounts. This had been achieved by arranging for the document to be designed by a private firm. The NAO had been consulted over the timetable.
- 11.2. The draft Governance Statement and ICO Audit Committee Annual Reports had been developed using the previous year's versions as a template. It was confirmed that this approach was appropriate.
- 11.3. In terms of clearance by Management Board the main focus of the process was on the Commissioner as corporation sole, but it was the intention to ensure that the Non-executive Directors as well as Audit Committee and the Executive Team were involved in the development of the Annual report and Accounts.

Action point 5: Peter Bloomfield to ensure that the timetable and policy and procedure reflected the involvement of the Non-executive Directors in the development of the Annual Report and Accounts.

12. Fraud, whistleblowing and security incidents

- 12.1. Peter Bloomfield presented the Fraud, Whistleblowing and Security incidents report for the last quarter.
- 12.2. The NAO was concerned about having formal involvement in the ICO's internal assurance processes. This concern was noted and it was agreed to remove the NAO from the various policies and procedures as being a formal point of contact for the reporting of issues.

Action point 6: Peter Bloomfield to revise the various policies affected to reflect the position of the NAO.

13. Register of interests format

- 13.1. Peter Bloomfield presented a paper outlining possible changes to the register of interest which was completed by all Management Board members.
- 13.2. The view of the Committee was that in general, whilst (for example) where pensions were held ought to be noted, details of private investments need more security.

Action point 7: Peter Bloomfield to consider the register of interests in light of the comments made.

14. Any other urgent business

- 14.1. There was no any other business.

15. Review of publication of papers

- 15.1. It was agreed that Peter Bloomfield would confirm publication of papers by correspondence.